

**MINUTES**  
**BOARD OF TRUSTEES OF THE**  
**PUBLIC EMPLOYEES' RETIREMENT FUND**  
Indiana University at Bloomington  
The Corporate and Graduate Center (CG #2018)  
1275 East 10<sup>th</sup> Street  
Bloomington, IN 47405

Annual Meeting  
November 9, 2007  
8:30 am-4:00pm

**BOARD RETREAT**

**Board Members Present**

Ken Cochran, Chair  
Kevin Boehnlein, Vice Chair  
Matt Murphy  
Bob Welch  
Ryan Kitchell  
Kathy Ettensohn

**Board Members Absent**

None

**Others Present**

Doug Kryscio, Mercer Investment Consulting

**PERF Staff Present**

Terren Magid, Executive Director  
Andrea Unzicker, General Counsel  
Steven Barley, Chief Operations Officer & Deputy Director  
Jeff Hutson, Director of Communications  
Shawn Wischmeier, Chief Investment Officer  
Sandra Wilson, Executive Assistant  
Jeri Mains, Legal Assistant

Meeting called to order at 8:40 am by Chairman Cochran.

## **I. Chair Approval**

The board nominated and elected Ken Cochran as Chairman of the Board of Trustees of the Public Employees' Retirement Fund.

**MOTION** duly made and carried to approve Ken Cochran as Chairman of the Board of Trustees of the Public Employees' Retirement Fund.

<i>Proposed by:</i>	<i>Ryan Kitchell</i>
<i>Seconded by:</i>	<i>Kathy Ettensohn</i>
<i>Votes:</i>	<i>6 in favor, 0 opposed</i>

## **II. Board Governance**

Terren Magid welcomed everyone to the Board Retreat and introduced Doug Kryscio with Mercer Investment Consulting. Mr. Kryscio presented to the board an overview of board governance and fiduciary duties.

Issues discussed included Guidance for Fiduciaries, Basic Fiduciary Duties, Delegation of Fiduciary Responsibilities, Practical Advice and Liability. Mr. Kryscio closed by discussing Indiana PERF's board member responsibility and the possibility of board members attending conferences.

Andrea Unzicker presented the proposed Board Governance Policy to the board. Ms. Unzicker reviewed various changes to the policy and recommended that it be voted on at the December meeting.

## **III. Investment Policy Statement**

Shawn Wischmeier presented the proposed Investment Policy Statement to the Board. Mr. Wischmeier reviewed various changes to the policy and recommended that it be voted on at the December meeting.

## **IV. IU Presentation-Dan Rives**

Mr. Magid introduced Mr. Dan Rives, Associate Vice President for Administration and University Human Resource Services at Indiana University. Mr. Rives spoke to the board about the changes PERF has made in the last several years and the new relationship IU has with PERF. He discussed some of the new programs PERF has in place for its employers and how these programs are changing the way business is handled. Lastly, he brought recommendations to the Board for future programs and service offerings.

## **V. Adjournment**

Adjourned at 11:40 a.m.

### **REGULAR SESSION**

#### **Board Members Present**

Ken Cochran, Chair  
Kevin Boehnlein, Vice Chair  
Matt Murphy  
Ryan Kitchell  
Kathy Ettensohn  
Bob Welch

#### **Board Members Absent**

None

#### **Others Present**

Doug Kryscio, Mercer Investment Consulting  
Curt Smith, Strategic Investment Solutions  
Pete Keliuotis, Strategic Investment Solutions (SIS)

#### **PERF Staff Present**

Terren Magid, Executive Director  
Andrea Unzicker, General Counsel  
Steven Barley, Chief Operations Officer & Deputy Director  
Dave Huffman, Chief Technology Officer & Deputy Director  
Jeff Hutson, Director of Communications  
Shawn Wischmeier, Chief Investment Officer  
Sandra Wilson, Executive Assistant  
Jeri Mains, Legal Assistant

Meeting called to order at 1:00 by Chairman Cochran.

## **VI. Approval of Minutes**

**MOTION** duly made and carried to approve the minutes from the August 17, 2007 board meeting.

<i>Proposed by:</i>	<i>Bob Welch</i>
<i>Seconded by:</i>	<i>Matt Murphy</i>
<i>Votes:</i>	<i>6 in favor, 0 opposed, 0 abstentions</i>

## **VII. Old Business**

- **Sudan Update**

Andrea Unzicker discussed the 2007 Sudan divestment legislation. Affected companies were contacted on October 23, 2007, and informed that PERF will be required to divest of its holdings in the company if the company does not cease active operations in Sudan within 90 days. Inactive companies and managers of actively managed commingled accounts have been contacted pursuant to the legislation. PERF provided reports to PMOC on September 12, 2007, and to the Legislative Council on October 31, 2007.

## **VIII. New Business**

- **Indiana Administrative Code rule changes**

Ms. Unzicker presented the proposed Indiana Administrative Code rule changes to the board. Ms. Unzicker reviewed the various changes to the Administrative Code.

**MOTION** duly made and carried to approve the changes to the Indiana Administrative Code, Resolution No. 07-06.

<i>Proposed by:</i>	<i>Kathy Ettensohn</i>
<i>Seconded by:</i>	<i>Matt Murphy</i>
<i>Votes:</i>	<i>6 in favor, 0 opposed, 0 abstentions</i>

- **Benefits**

Current & Projected Retirement Volume Analysis

Mr. Magid briefed the board on the high number of retirement applications PERF has received. Mr. Magid introduced Dave Huffman and Steven Barley

to present the Operation Update and Forecasting presentation to the board. Mr. Huffman and Mr. Barley discussed the increase in volume along with the impact this would have on PERF. Also discussed were the next steps PERF would need to take in order to accommodate this increase.

#### New Customer Service Offerings

Mr. Magid introduced Jeff Hutson to the board to present the Outreach Services Reorganization presentation. Mr. Hutson discussed the outreach services PERF currently provides to its members and what it hopes to provide in the future. He explained that PERF intends to create two new locations to serve members outside the Indianapolis area, and he described the steps PERF will take to accomplish this.

- **Investments**

#### Investments Update

Mr. Magid introduced Shawn Wischmeier and Doug Kryscio to the board. Mr. Wischmeier and Mr. Kryscio reviewed the investment reports with the board. The investment reports are intended to provide a comprehensive view of the investments and investment decisions made by the board.

These reports illustrate the overall portfolio performance year-over-year as well as recent performance. The reports further illustrate the investments in alternatives as well as a detailed breakdown of the various asset classes.

#### Investment Manager Recommendations

Mr. Wischmeier began with the Investment Manager Discussion regarding the termination of the Brandes Investment Partners contract for its midcap value mandate.

It is recommended that the board terminate this contract with Brandes Investment Partners.

**MOTION** duly made and carried to terminate the contract with Brandes, Resolution No. 07-07.

<i>Proposed by:</i>	<i>Kevin Boehnlein</i>
<i>Seconded by:</i>	<i>Matt Murphy</i>
<i>Votes:</i>	<i>6 in favor, 0 opposed, 0 abstentions</i>

Mr. Wischmeier and Mr. Kryscio reviewed the Equity Index Providers presentation with the board. They reviewed the August to November process timeline and proposed RhumbLine and SSgA as the providers.

It is recommended that the board approve the use of two index managers: RhumbLine Advisers and SSgA.

**MOTION** duly made and carried to approve the use of two index managers: RhumbLine Advisers and SSgA.

*Proposed by:* Matt Murphy  
*Seconded by:* Bob Welch  
*Votes:* 6 in favor, 0 opposed, 0 abstentions

Mr. Wischmeier and Mr. Kryscio also discussed the Emerging Manager of Managers presentation. Mr. Wischmeier discussed the search for the emerging manager of managers to fulfill the \$100M mandate. There were three finalists selected; references were checked; finalists visited PERF for final presentations. Mr. Kryscio discussed Leading Edge Investment Advisors, LLC and their qualifications.

It is recommended that the board approve hiring Leading Edge Investment Advisors, LLC as the manager of managers for the \$100M mandate.

**MOTION** duly made and carried to approve hiring Leading Edge Investment Advisors, LLC as the manager of managers for the \$100M mandate.

*Proposed by:* Bob Welch  
*Seconded by:* Kathy Ettensohn  
*Votes:* 6 in favor, 0 opposed, 0 abstentions

#### Private Equity Recommendations

Mr. Wischmeier introduced Curt Smith and discussed three private equity opportunities. The first investment proposal is EnCap Energy Fund VII.

EnCap is raising a \$2 billion fund that invests in the independent sector of the oil and gas industry. EnCap's principal objective is the acquisition and exploitation of oil and gas reserves or the development of lower risk repeatable drilling projects in the United States and Canada.

The previous funds have generated upper quartile returns to date. Fund VII will continue with the same investment strategy as the prior funds.

It is recommended that the board approve up to a \$40 million commitment to EnCap Energy Fund VII pending final due diligence and document review by legal counsel.

**MOTION** duly made and carried to approve up to a \$40 million commitment to EnCap Energy Fund VII pending final due diligence and document review by legal counsel.

*Proposed by: Kathy Ettensohn*  
*Seconded by: Bob Welch*  
*Votes: 5 in favor, 0 opposed, 0 abstentions*

The second investment proposal is Mill Road Capital, L.P. Mill Road is raising a \$300 million fund that invests in friendly buyout transactions of micro-cap public companies. Mill Road targets companies that have less than a \$250 million market cap. Mill Road takes toehold positions, less than 5%, in companies to position themselves to approach management regarding a going private strategy.

While this is the first fund for Mill Road, the team of senior professionals has an extensive private equity track record (\$620 million invested) from their experience at The Blackstone Group and Lazard Capital Partners.

It is recommended that the board approve up to a \$20 million commitment to Mill Road Capital, L.P. pending final due diligence and document review by legal counsel. Additionally, SIS and staff recommend that the board approves an exception to the IPS which states a fund investment should not exceed 5% of total assets under management.

**MOTION** duly made and carried to approve a commitment of up to a \$20 million commitment to Mill Road Capital, L.P. pending final due diligence and document review by legal counsel with the exception.

*Proposed by: Ryan Kitchell*  
*Seconded by: Matt Murphy*  
*Votes: 5 in favor, 0 opposed, 0 abstentions*

The third investment proposal is Blackstone Real Estate Partners Fund VI. Blackstone is raising an \$8-\$10 billion fund that is expected to pursue a broad range of global real estate-related investments. Blackstone intends to focus on the same core strategies that it has successfully pursued in the past, including public-to-private transactions, and acquiring institutional-quality assets that have certain flaws, implementing a strategy to correct those flaws and subsequently seeking to dispose of the assets into the deep capital markets.

The previous funds have generated upper quartile returns to date. Fund VI will continue with the same investment strategy as the prior funds.

It is recommended that the board approve up to a \$75 million commitment to Blackstone Real Estate Partners Fund VI pending final due diligence and document review by legal counsel.

**MOTION** duly made and carried to approve a commitment of up to a \$75 million to Blackstone Real Estate Partners Fund VI pending final due diligence and document review by legal counsel.

*Proposed by:*  
*Seconded by:*  
*Votes:*

*Matt Murphy*  
*Ryan Kitchell*  
*5 in favor, 0 opposed, 0 abstentions*

- **Finance & Budget**

Financial Update

Mr. Magid reviewed the financials with the board and pointed out Net Assets of approximately \$17.3 billion are up \$139.7 million (8%) from June 30, 2007 and up \$2.1 billion (14.1%) from September 30, 2006.

**IX. Executive Director Report**

Terren Magid reviewed score card measures and FY 2008 Q1 & Q2 goals.

**X. Date of Next Meeting**

December 21, 2007 at noon.

**XI. Adjournment**

Adjourned at 4:25 p.m.